

Mime-Version: 1.0
Date: Thu, 24 Aug 1995 15:23:25 -0800
To: deanna
From: brewster@wais.com (Brewster Kahle)
Subject: WAIS Status and where are we going

David@wais.com, bschuler@medior.com, ldobyns@aol.com, Navisoft@aol.com,
lenl@aol.com, SteveC@aol.com, MConnors@aol.com, leonsis@aol.com,
bdunn1@aol.com

Yesterday I was in Vienna and got reamed for the recent financial performance of WAIS by Steve and Len. I did not know I was walking into this when I entered the room. This note is to explain my understanding of:

- WAIS Current Status
- WAIS Technology Assets overview
- How we got here,
- What options we have moving forward.
- Next note: WAIS Technology Assets, Responcibilities.

AOL paid a fair price for WAIS Inc, and now they want to know what is happening. That there has not been visibility at the top of the change in control and business model surprised me. Hopefully this note can help.

If there are wrong points in it, please point them out. If you have input on what AOL should be doing differently with the WAIS capabilities, speak now.

I know that Barry and David are on vacation, but I would like to get us talking on the phone Thursday if at all possible.

My point of view: WAIS should be built up, not sliced up (as is happening). I should run it with additional help. The new system of management is showing its problems.

Where I think we are:

WAIS Inc is being actively "integrated" into other parts of AOL since May:
Production services (3/4 of people) work for AOL Productions
(Kaiser and Schuler)
Product sales and marketing work for Navisoft (Lydia)
Product development and support are in limbo (Edy Henderson)
The WAIS building is being shopped around (new to me yesterday)
Brewster reports to Barry.

Therefore WAIS the name, product, service, organisation, are disappearing.

Outside sales efforts have been stopped:
Production services goes to brand
Product has been taken off the market
Government sales stopped, a large contract halted.

No planning that I see or understand. I was not asked to help with 1995 and 1996 financials.

Even the Controller of WAIS does not know about aspects of what is being reported to AOL about WAIS (the \$375 "management charge" against last year)

Lack of management in production services:
Projects slipping
People shifted around constantly

(partially hiring freeze related)

Production services people starting to free up, but nothing presold
(based on "serve brand" mandate)

Hiring is stopped, and small layoffs have happened.

GOOD NEWS: Product selling well, releases on schedule!

Confusing management of products and technology: Who manages the
relationships? Lydia, Barry? What is Brewster's role?

\$500k gov contract stopped

WAIS Assets:

Great customer list, high customer satisfaction (historically)

Internet name recognition of "WAIS" for leadership and quality

"The 4 food groups of the Net: Web, Gopher, WAIS, Telnet" - Daniel Dern
Inet writer

Solid server product

Historically profitable Internet business (rare out there, but true!)

[see next note for more details]

Where we were:

WAIS was a profitable and growing company for 3 years, now it is being
dismantled and integrated into other sections of AOL. The company we sold
had tripled each year profitably and would have continued to grow at that
pace: what we needed was \$4M in investment to grow better.

When we talked with Len in March, we did not factor in the disruption and
delays of acquisition. As a separate company we would do what we said.
The LOI committed to March 17 close. I walked Len through this yesterday:
Len are you fine on all of the representations?

I ran the company in that period (3rd quarter) not assuming the deal was
going to close: I needed to have real revenue to survive a restart of VC
talks that were halted in February. I felt this was the only responsible
thing to do. Reports from our sales people said that leaks about the deal
by AOL were very disruptive to sales.

In April and May WAIS was in limbo: we both tried to "act like the future"
but still be prepared to not crator if the deal fell through. WAIS and
WebSoft merged and almost every potential customer had heard about the
acquisition and quized us on it. The limbo made it difficult to plan, and
we did not hire.

We closed the deal in late May. This is 4 months later than original
expectation. David Kaiser then became president with all reporting,
operational, and financial responceibilities. Brewster effectively becomes
an active consultant.

I gave feedback to Kaiser and Dunn on spending and management issues and problems. I should have raised my voice louder it seems.

In May, WAIS was told it will be a department on AOL Productions. Kaiser started to move WAIS in that direction away from being a separate company with products and services.

In June: hiring freeze, shifts in WAIS management,

Early July: AOL reorg: Bill Dunn resigns,
WAIS Inc now officially reports to Barry as part of AOL Productions.
WAIS Inc will be come a department rather than a company.
Stopped sales,
Product put on "maintainance only" status.

August: Layoffs of 3 people,
Announcements to the company that we will probably move to San Mateo soon
Sublease tenants start looking at WAIS building.

What we can do about it: We have options and we need decisions fast:

Decide the fate of the product and technology:
WAIS has strong momentum on the net, lets keep it going and build it!

Decide if production services is to be profitable and what this means.
The current state is limbo hell.

Decide if we are going to pursue the government market:
This has been a very lucrative area for us: I would continue to pursue it using and building the WAIS DC team.
The \$500k contract is for advanced R&D. I would use it if we still can.

Decide how to use Brewster and his team. Some options:
upgrade the product to full commercial strength again.
manage the company back into what it was: products, services, government
manage production services
manage production services transition to Medior.
maintain the current product line for the duration of the support contracts.
chart a path for AOL on the Internet and prepare to build it.

Decide if WAIS organisation and location should be preserved.
I would use it and grow it.

OPTION 1: Bring back the management structure that built the company and get it back on track the way it was. We will have slipped a couple of quarters, but it can be rebuilt. I can run this as a successful company.

OPTION 2:

Move Production services people to Medior immediately. This would be "moving people" rather than "moving an organisation" which has much less value.

Rebuild WAIS Inc into technology center for building and selling its sucessful products moving towards building technology to make GNN into a "platform".

OPTION 3: Status Quo

WAIS the name, product, company, and services are "digested" or stopped.
AOL Productions gets most, AOL Software Products gets a bunch.

Support the old WAIS customers by inhouse staff or spinoff a team

OPTION 4: There are many more options, and I would appreciate any help or suggestions.

Please use this opportunity to change what is happening. What is happening is a waste and a great shame.

-brewster